





## 2011-12 CalPERS Annual Business Plan


Item 7a – Attachment 2

### Enterprise Priority 1 | Customer Focus: Today & Tomorrow

Focus on improved customer service, while implementing my|CalPERS and transforming our core service delivery to meet the changing needs of members and employers.

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
<b>Objective 1</b> – Provide one-stop shopping and enhanced customer capabilities through my CalPERS implementation		Dale Jablonsky	Karen Ruiz	<b>Completed:</b> <ul style="list-style-type: none"> <li>Completed Customer Acceptance Testing, Mock Conversion, and Production System Readiness activities.</li> <li>Launched initial my CalPERS solution on September 19, 2011.</li> </ul> <b>Work In Progress   Planned Work:</b> <ul style="list-style-type: none"> <li>Release 2.0 is on track for March 2012 completion; planned work includes system testing, mock conversations and CAT testing.</li> <li>Development of my CalPERS Member Self-Service is on track and release scheduled for April 2012. CAT and system/technical testing will continue throughout project.</li> </ul> <b>Potential Risks:</b> <ul style="list-style-type: none"> <li>High priority defects or design changes could delay Self-Service launch.</li> </ul>
<b>Objective 2</b> – Ensure continuity of core service delivery through the successful transition of staff and customers to my CalPERS		Steve Kessler	Karen Ruiz	<b>Completed:</b> <ul style="list-style-type: none"> <li>Completed Staff transition readiness activities for my CalPERS initial launch, including system training for about 1,100 employees, preparations to support the system in production, and refresher courses <i>Just In Time</i> and <i>Diving into my CalPERS</i>, and post-implementation support.</li> <li>Published system implementation impacts, materials, and instructions for business partners and System Access Administrators.</li> <li>Transitioned and incorporated PERT activities into ERSD.</li> </ul> <b>Work In Progress   Planned Work:</b> <ul style="list-style-type: none"> <li>Assist business partners with understanding my CalPERS through computer-based, instructor-led, and webinar training.</li> <li>Closeout and transition the PERT project.</li> <li>Develop and implement member communication and marketing</li> </ul>


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 = need to watch trend


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				<p>for member self-service launch and post launch. Complete remaining staff transition readiness activities required to support member self-service.</p> <ul style="list-style-type: none"> <li>Administer post launch survey and communicate findings with stakeholders.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>Data and functional gaps could impact rollout of member self-service.</li> </ul>
<b>Objective 3</b> – <i>Develop an enterprise strategy for transforming service delivery</i>		Donna Lum	Lori McGartland	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>One of two planned health care delivery studies was completed. The Ambulatory Intensive Care Unit pilot study focused on providing coordinated care and improving quality of care for high-cost, chronically ill patients.</li> <li>An assessment of CalPERS business information asset opportunities was completed and work is on track to have data mart frameworks in place for pension, business partner, health care, and risk intelligence.</li> <li>For program and services outreach, a marketing strategy team has been formed to unify outreach efforts, and an information and market review has been conducted toward the development of a branding platform.</li> </ul> <p><b>Work In Progress   Planned Work:</b></p> <ul style="list-style-type: none"> <li>Assess results of coordinated care management model to determine improvements for quality of care, access, and patient experience for high-risk membership, costs for plans and providers.</li> <li>Research self-funded PPO plans, determine costs, examine methods to decrease occurrence of PACs.</li> </ul>

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### Enterprise Priority 2: Sustainability

*Ensure the stability and soundness of CalPERS pension and health programs by delivering sound investment results, adapting to changing conditions, and exercising leadership in pension, health, and financial market policy.*

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
<b>Objective 1</b> – Influence State and federal retirement policy and plan design discussions		Ann Boynton	Ann Boynton	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>Created a pension policy and research function.</li> <li>Conducted multiple discussion sessions with key stakeholders, developed a strategic plan and phase-in timeline, and restructured staffing assignments to better align with anticipated organizational structure.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Working on development of two retirement security issues papers.</li> <li>Completed a SWOT analysis and conducted multiple sessions with key stakeholder, researching priorities with input from the Pension Soundness Workgroup, and developing a list of potential issue memo topics.</li> <li>Developing recommendations for the Board on improvements to risk pooling, including allocation of salary experience.</li> <li>Compiled a list of key pooling issues. Will analyze and evaluate potential solutions to pooling issues and develop a strategy and implementation plan to recommend changes to the Board, if appropriate.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>Ability to attract appropriate leadership for new functions.</li> <li>Changes to GASB, Actuarial standards, or legislation may cause increased complexity and delay recommendations.</li> </ul>

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<b>Objective 2</b> – Influence State and federal health care policy to improve the cost effectiveness of the health program and health outcomes		Ann Boynton	Doug McKeever	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>Established a health care policy and research function.</li> <li>Reorganized resources to support the new Health Policy Research Division organizational structure, conducted an initial assessment of research and policy requirements and resource capacity, and formulated a gap analysis to determine upcoming needs and current capabilities.</li> <li>Completed a market scan and presented highlights to the Board in July 2011; they also completed member and employer surveys to identify market preferences and presented survey results to the Health Benefits Committee in September 2011.</li> <li>Engaged stakeholders, including employer and labor organizations, Department of Finance, provider groups, and health plans to seek insights and support.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Partnering with four participating program employers to implement Workplace Wellness Programs.</li> <li>Collaborating with Kaiser Permanente to implement coordinated wellness programs for two local public agencies, County of Solano and California State University, Northridge. Collaborating with Blue Shield and the Department of Public Health to implement worksite programs at their campus in Richmond. Collaborating with California Association of Physician Group and Institute for Health and Productivity Management to implement a wellness initiative in Santa Cruz. Collaborating with Univita to determine if the use of the benefits and access to personal care services will improve health care utilization patterns and reduce overall health care cost for CalPERS LTCP members.</li> <li>Develop payment-related policies for participating health plans that contain costs and improve quality.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>Unplanned workload may divert staff from these initiatives.</li> <li>Possible issues with allocation of funds from CRF and HCF.</li> </ul>

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<b>Objective 3</b> – Enable the delivery of strategic investment priorities by implementing the 2011-12 investment Office Roadmap		Joe Dear Janine Guillot	Kami Niebank	<b>Completed:</b> <ul style="list-style-type: none"> <li>Completed Real Estate portfolio re-structuring and transitioned to implementation of a new strategic plan.</li> <li>Advanced functionalization of Global Equity, which included changing reporting relationship of the Absolute Return Strategies and Corporate Governance Units to align with a total fund strategic approach.</li> <li>Completed ESG Workshop with the Board.</li> <li>Funded and began managing the \$7 billion US Treasury portfolio in the Liquidity Portfolio.</li> <li>Continued working with the industry to create dialogue with the SEC to make changes in bondholders rights.</li> <li>Developed a private equity strategic plan and presented to the Board.</li> <li>Led the development of new reporting standards for GPs through ILPA (for AIM) and alignment of interests (for RA). Continue to renegotiate existing agreements and include in new deal structures.</li> <li>Obtained Investment Committee approval for new asset allocations for the Long-Term Care fund, Judges' Retirement System fund, Legislatures' Retirement System fund, and three new California Employers' Retiree Benefit Trust funds.</li> <li>Defined and presented investment beliefs to the Board.</li> <li>Implemented new risk based asset allocation framework by amending policies and benchmarks.</li> <li>Presented monthly tracking error package to ISG for total plan, asset allocation, Global Equity and Global Fixed Income.</li> <li>Completed the Master Custodian Contract and completed transition to the Master Custodian's new enhanced service model.</li> <li>Defined and implemented T+1 daily hard close process.</li> <li>Completed three rapid result projects: Designed Operating Event Measurement and Escalation which defined operating events and established a tracking system and escalation process; enhanced CIO monthly performance report; and consolidated of</li> </ul>

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## 2011-12 CalPERS Annual Business Plan

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
				<p>the Investment Office Board Reporting by reducing the monthly supplemental reporting document by over 80 percent.</p> <ul style="list-style-type: none"> <li>Developed travel policies, procedures, and forms to provide guidance on travel and completed travel training for Investment Office staff. Implemented pre-trip compliance review and post trip reporting.</li> <li>Worked with CEM to identify a relevant global peer group for the Global Leaders Survey.</li> <li>Began the expense management project to develop cost allocation methodologies and designed draft financial reporting materials and quarterly report format.</li> <li>Completed year end performance evaluation and compensation calibration.</li> <li>Enhanced Investment staff recruitment materials and recruitment process via social networking sites such as Facebook, LinkedIn, and Twitter.</li> <li>Developed a mandatory leadership education class and completed the first training session.</li> <li>Developed a talent management assessment tool to pilot with INVO senior team.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Staff will review and develop SIP investment strategy and fund line-up.</li> <li>Develop Sustainable Investing Policy for the Total Fund and CalPERS Sustainable Investment Report for 2012.</li> <li>Implement new fund allocations for Long-Term Care, California Employers' Retiree Benefit Trust, Judges' Retirement System, and Legislatures' Retirement System funds.</li> <li>Plan and conduct Board Risk Workshop for Fall 2011.</li> <li>Initiate three new rapid results projects – review operational delegations, contract terms and conditions guidelines, and review Investment Committee calendar and reporting.</li> <li>Launch financial reporting and process reengineering projects.</li> <li>Provide an expense overview to the Investment Committee in the third quarter.</li> </ul>

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				<ul style="list-style-type: none"> <li>Partner with the Financial Office on cash management and financial reporting.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>Inability to fill vacancies and new positions.</li> <li>Unplanned workload, media, or legislation divert resources.</li> <li>Inaccurate data inputs for Investment Office systems.</li> </ul>
<b>Objective 4</b> – Enhance financial, actuarial, and program reporting to educate stakeholders		Alan Milligan	Bill Karch	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>Added historical funding status and contribution levels to the Annual Public Agency Reports and State and Schools Reports.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Conduct a review of economic assumptions used in actuarial valuation reports and implement needed changes.</li> <li>Improve transparency and accessibility of financial information by completing two Web site enhancements.</li> <li>Completed a new template design to restructure the CalPERS On-Line website to incorporate web accessibility standards to ensuring the site is accessible to people with disabilities.</li> <li>Enhancing disclosure of funding status by posting annual valuation reports of CalPERS 2,000 public agency plans to the website.</li> <li>Develop and implement a public agency health care cost trend report.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>IT support for website enhancements may not be available.</li> <li>Difficulty getting cost information from health plans.</li> <li>Employers may not use additional information in reports</li> <li>Additional data provided in valuation reports may rely on untested data.</li> </ul>

### Enterprise Priority 3: Building Internal Strength

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## 2011-12 CalPERS Annual Business Plan

*Deliver world-class customer service to our members and employers by improving the alignment between our culture, business strategy, and organization structure. Create a risk-intelligent environment that ensures accountability, integrity, transparency, nimbleness, and innovation. Further develop our staff to create a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.*

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
<b>Objective 1</b> – Complete planned efforts of the organization structure, processes, and cultural alignment initiatives		Russ Fong	David Rubio	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>▪ The Enterprise Strategy CEA package was submitted to DPA/SPB for approval.</li> <li>▪ Modifying the existing communication plan to match the different stages of implementation.</li> <li>▪ Health Management Information Services staff have been transitioned to Customer Account Services Division.</li> <li>▪ Staff have completed development of web-based Working Values training program and all staff are currently completing training. Training to be completed by end of calendar year.</li> <li>▪ Two measures from the organization health survey are in development for actionable improvement: Rotation Program and Career Coaching. Researched best practices and presented findings to Executive Staff. Program Objectives have been defined, resource needs identified, and a new unit established in Human Resources. Training for staff and a program framework have been developed.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>▪ Identify and implement the restructuring of two core business processes for the new organizational structure.</li> <li>▪ Communicate processes and rationale for changes to staff and stakeholders through all implementation phases.</li> <li>▪ Complete implementation of the organizational structure and related decision rights changes.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>▪ Inability to place CEA to develop strategy function. (Recruitment is underway pending DPA/SPB approval.)</li> <li>▪ Labor organization approval of Rotation Program.</li> <li>▪ Ability to schedule and complete training due to aggregate training identified in the business plan.</li> </ul>

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<b>Objective 2</b> – <i>Develop a culturally diverse workforce and business relationships that model diversity and inclusion best practices</i>	●	Steve Kessler	Lindy Plaza Kim Malm	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>Online, web-based Working Values training launched and staff are currently completing the course. Full compliance will be achieved by the end of the calendar year.</li> <li>A mandatory Executive and Senior Leadership training, the <i>Diversity and Inclusion Development Journey</i>, kicked-off at the end of October.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Institute policies and practices requiring office supplies be purchased from certified small or disabled veteran enterprise businesses.</li> <li>Design and implement leadership culture competency and multi-generational workforce training.</li> <li>Increase the diversity of applicants for outside counsel by expanding outreach and engagement efforts.</li> <li>Launch employee Web-based diversity and inclusion training and a leadership resource toolkit.</li> </ul> <p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>Staff and management may have limited availability for diversity initiatives, given other workload.</li> <li>IT support required for Web-based training.</li> </ul>
<b>Objective 3</b> – <i>Integrate enterprise risk management into governance structures and culture to effectively evaluate, monitor, and manage risk across the organization</i>	●	Larry Jensen	Michael Champ	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>identified a risk repository consisting of 146 risks and definitions. Assessed risks qualitatively by identifying “risk assessors” for each risk and obtaining qualitative ratings of controls and risk.</li> </ul> <p><b>Work In Progress:</b></p> <ul style="list-style-type: none"> <li>Developing risk management training for managers and supervisors.</li> <li>Establish an enterprise repository of policies, identified risk tolerances, and risk measurement systems</li> <li>Developing risk appetite statements and tolerances for key risk areas. Identifying risk tolerances in policies and a developing a centralized location for policies.</li> <li>Implement the 2011 Information Security Strategy.</li> </ul>

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				<b>Potential Risks:</b> <ul style="list-style-type: none"> <li>Program areas may lack capacity to implement risk initiatives.</li> <li>Policies that are outdated/inaccurate or do not contain risk tolerances.</li> <li>IT infrastructure for policy repository.</li> <li>Potential resource conflicts between the road-mapping effort and the PSR Project.</li> <li>May require budget and PYs for Information Security implementation in 2012-13.</li> </ul>
<b>Objective 4</b> – Increase staff expertise and reduce reliance on consulting services to ensure the development and retention of core business expertise	●	Steve Kessler	Kim Malm Katie Hagen	<b>Work In Progress:</b> <ul style="list-style-type: none"> <li>Adding required knowledge transfer language to all multi-year consulting services contracts.</li> <li>Developing process design of knowledge transfer documentation and tracking.</li> <li>Preparing standardized language to be included on all applicable multi-year consulting contracts to require knowledge and expertise transfer from consultants to CalPERS staff.</li> <li>Designing a process to track the knowledge/expertise to be transferred and the method by which it will be transferred.</li> <li>Reducing enterprise consultant contract expenditures by 5 percent.</li> <li>Determine a baseline budget for FY 2011-12 consulting services.</li> </ul> <b>Potential Risks:</b> <ul style="list-style-type: none"> <li>OSSD and LEGO ability to develop and approve new terms and conditions for contracts timely.</li> <li>Contract managers may not have the availability to ensure transition between consultants and staff.</li> <li>Additional PYs may be needed to take over consultant work.</li> <li>May see cost increases for knowledge transfer.</li> </ul>

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